

ASSOCIATED VIRGIN RECORD LABELS LIMITED

REPORT AND ACCOUNTS

31 MARCH 1997

COMPANY'S REGISTERED NUMBER 2324637



ASSOCIATED VIRGIN RECORD LABELS LIMITED

Report of the directors

The directors present their report and the accounts for the year ended 31 March 1997.

RESULTS AND PRINCIPAL ACTIVITIES

The company did not trade during the financial year. The expenses of the company have been met by the parent undertaking. There is no intention to put the company into liquidation.

DIVIDENDS

The directors do not recommend the payment of a dividend (1996:£nil).

DIRECTORS AND THEIR INTERESTS

The directors of the company at 31 March 1997 are listed below. The only interest held by the directors in the share capital and loan stocks of the company's ultimate parent undertaking at that date, EMI Group plc, or any subsidiary undertakings thereof, were ordinary shares and options to purchase ordinary shares of EMI Group plc, granted in accordance with the provisions of that company's share option schemes, as follows:-

	At 31 March 1997	At 1 April 1996 or date of appointment		
Ordinary Shares	Options over ordinary shares	Ordinary shares	Options over ordinary shares	
P.S.Robinson	3,040	1,110	608	1,614
P.A.Kernick (appointed 14.2.1997)	-	-	-	-

ASSOCIATED VIRGIN RECORD LABELS LIMITED

Report of the directors

DIRECTORS AND THEIR INTERESTS (Contd)

Under the demerger arrangements, each ordinary share in THORN EMI plc converted into one ordinary share in Thorn plc and one ordinary share in EMI Group plc on 19 August 1996.

Following the demerger, options under the Executive Option Scheme remain over only EMI Group plc shares. Therefore, the number of shares under option was adjusted to reflect the demerger, either by way of adjustment or by way of a grant of additional options, by reference to the prices of EMI Group plc and Thorn plc shares averaged over the first five dealing days following the demerger.

Prior to the demerger, SAYE optionholders were offered an alternative award of shares, on condition they renounce their options, equal in value to the aggregate gain on their option, based on the total number of shares under option and calculated on the difference between the relevant option exercise price and the price of THORN EMI shares on the day the EGM to approve the demerger was held. The shares were awarded by the THORN EMI Group General Employee Benefit Trust immediately prior to the demerger, thereby being entitled to the demerger dividend of Thorn plc shares. All optionholders of the company accepted the offer and renounced all their options.

Ms J.Berry resigned as a director on 14 February 1997.

The directors of the company are not subject to retirement by rotation or otherwise.

ASSOCIATED VIRGIN RECORD LABELS LIMITED

Report of the directors

AUDITORS

A special resolution was passed in 1993 to do away with the need to reappoint auditors annually.

By order of the Board

A handwritten signature in dark ink, appearing to be 'P.S. Robinson', with a horizontal line underneath.

P.S. Robinson
Director

Kensal House
553-579 Harrow Road
LONDON
W10 4RH

05 NOV 1997

ASSOCIATED VIRGIN RECORD LABELS LIMITED

Statement Of Directors' Responsibilities

In Respect Of The Accounts

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- . select suitable accounting policies and then apply them consistently;
- . make judgements and estimates that are reasonable and prudent;
- . state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- . prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

TO THE MEMBERS OF ASSOCIATED VIRGIN RECORD LABELS LIMITED

We have audited the accounts on pages 6 to 9 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

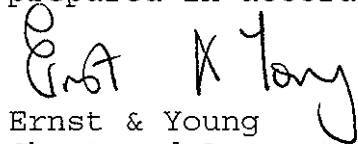
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 March 1997 and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
London

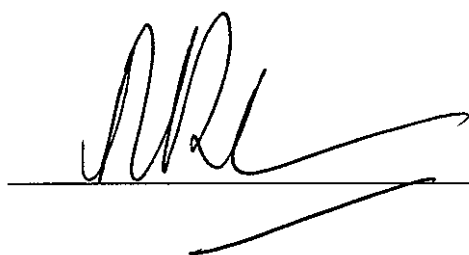
05 NOV 1997

ASSOCIATED VIRGIN RECORD LABELS LIMITEDBalance sheet at 31 March 1997

	<u>Notes</u>	1997	1996
		£	£
CREDITORS: Amounts falling due within one year	6	(12,053,146)	(12,053,146)
		<hr/>	<hr/>
NET CURRENT LIABILITIES		(12,053,146)	(12,053,146)
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	7	2	2
Profit & loss account	8	(12,053,148)	(12,053,148)
		<hr/>	<hr/>
Equity Shareholders' Funds		(12,053,146)	(12,053,146)
		=====	=====

The accounts were approved by the Board of Directors on
and signed on its behalf by:

05 NOV 1997



DIRECTOR

ASSOCIATED VIRGIN RECORD LABELS LIMITED

Notes to the accounts

for the year ended 31 March 1997

1. ACCOUNTING POLICIES

The following significant accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's accounts.

a) Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Cash flow statement

A cash flow statement is not prepared as the company is exempt by virtue of paragraph 8 of FRS1 being a subsidiary undertaking of a parent undertaking registered in England and Wales which prepares a consolidated cash flow statement.

2. PROFIT AND LOSS ACCOUNT

The company has not traded during the financial year and has made neither a profit nor a loss. No profit and loss account has therefore been prepared.

3. AUDITORS' REMUNERATION

The auditors' remuneration was paid by the parent undertaking.

ASSOCIATED VIRGIN RECORD LABELS LIMITEDNotes to the accountsfor the year ended 31 March 1997**4. EMPLOYEE INFORMATION**

The company had no employees during the year (1996: nil).

5. DIRECTORS' EMOLUMENTS

The directors received no emoluments during the year (1996: £nil).

6. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1997 £	1996 £
Amounts owed to group undertakings	12,053,146 =====	12,053,146 =====

7. SHARE CAPITAL

	1997 £	1996 £
Authorised, allotted, called up and fully paid 2 ordinary shares of £1 each	2 =====	2 =====

8. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share Capital £	Profit and Loss Account £	Total £
At 31 March 1997	2 =====	(12,053,148) =====	(12,053,146) =====

ASSOCIATED VIRGIN RECORD LABELS LIMITED

Notes to the accounts

for the year ended 31 March 1997

9. CONTINGENT LIABILITY

The company has undertaken together with certain UK undertakings within the EMI Group plc group to give joint and several guarantees to the bank in respect of amounts due to the bank from group undertakings.

10. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption under Financial Reporting Standard 8 - Related Party Disclosures (FRS 8) not to disclose related party transactions between wholly owned group undertakings.

11. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking of the group of undertakings for which group accounts were drawn up for the year ended 31 March 1997 and of which the company was a member was EMI Group plc, registered in England and Wales.

Copies of EMI Group plc's accounts can be obtained from:-

EMI Group plc
4 Tenterden Street
Hanover Square
London
W1A 2AY
ENGLAND